REPORT
OF
THE WORKING GROUP
ON
EXPORT CREDIT AND FINANCE

सत्यमेव जयते

DIRECTORATE OF COMMERCIAL PUBLICITY, MIN. OF FOREIGN TRADE AND SUPPLY, GOVERNMENT OF INDIA, NEW DELHI

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INTRODUCTION :

One of the more significant aspects of our export promotion effort is the attention now being paid to export credit facilities by way of enlarging the quantum of finance going into this field and by making such finance available at a reasonable cost. This question has formed the subject matter of three working groups, the most recent of which was convened by Dr. S. P. Chablani and which, reporting in October 1964, provided a comprehensive treatment of the problem both in its policy and procedural aspects.

2. While the importance of export finance is clear and has been recognised as such, it is equally to be admitted that any measures taken in this sphere have to be integrated into the overall credit pattern and policies. The Reserve Bank of India is primarily concerned with the responsibility for the formulation and implementation of credit policy in keeping with the current requirements of the economy. As part of its promotional functions, however, the Bank has attempted to insulate the export sector from the impact of policies directed towards restricting the volume of credit or of raising its cost. The banks have been urged not to reduce credit to the export sector while pruning their credit portfolios. At the same time, they have been advised to take positive steps in the form of instituting special schemes of finance to the export sector such as the Export Bills Scheme, the Rupees Export Bill Scheme and, more recently, the Packing Credit Refinance Scheme. The objective behind these schemes has been to enlarge the area of the Reserve Banks' refinance facilities to the export sector, both at the postshipment and pre-shipment stage. Export Credit has been given a 'preferred sector' treatment. But nonetheless there have been, from time to time, complaints from exporters about either paucity of credit or its high cost or both. The commercial banks on the other hand, feel that the existing procedures are such that adequate use cannot be made of the facilities available and that, in the result the 'preferred sector' status has not been translated into reality. It was with a view to examining how, within the broad framework of the credit policy, the current facilities provided by the

Reserve Bank could be more fully utilised that the present Working Group, consisting of the following members was constituted in March 1966 :—

Shri D. S. Joshi, Secretary, Ministry of Commerce.	Chairman
Shri A. C. Banerjee, Joint Secretary, Ministry of Commerce.	Convenor
Shri C. H. Bhabha, Vice-Chairman, Central Bank of India.	Member
Shri P. C. D. Nambiar, Manager, Foreign Department, State Bank of India.	Member
Shri G. Lakshminarayanan, Joint General Manager, Indian Overseas Bank.	Member
Shri S. B. Kaji, Assistant General Manager, Bank of India.	Member
Shri K. P. Sen, Manager, Foreign Department, United Bank of India.	Member
Shri M. Narasimhan, Director, Banking Division, Reserve Bank of India.	Member
Dr. S. P. Chablani, Managing Director, E. C. G. C.	Member
Shri C. K. Srinivasan, Secretary, E. C. G. C.	Member

3. All the meetings of the Working Group, except the last, were held under the Chairmanship of Shri D. S. Joshi. His association with the Working Group came to an end with his transfer from the Commerce Ministry as Cabinet Secretary.

4. The Group had also the opportunity, at one of its meetings, of discussing with representative exporters their difficulties in the matter of obtaining adequate credit, at reasonable cost, for their production and export operations.

5. Though availability and cost of export credit are but two dimensions of the same problem, the Group has approached the question by drawing a conceptual distinction between these two aspects, so as to facilitate a separate and detailed examination of each of them.

AVAILABILITY OF EXPORT CREDIT :

6. Export Credit is required both at the preshipment and post-shipment stage. Most of the discussion on the subject generally refers to post-shipment credit, though pre-shipment credit is of no little importance. The current procedures in respect of post-shipment credit are well set out in the Report of the Chablani Group, referred to earlier, and we confine ourselves to recapitulating the more salient aspects of it. The bulk of post-shipment credit is in the form of discount of bills. Of the total Bill Finance, the sight bills account for a substantial portion. The credit element here refers to the period between the time a bank takes the bill in for collection and the reimbursement of the exporter. This generally does not take longer than 10 days, and, to the extent that banks place the exporter in funds for the intervening period, they have provided the credit. The ability of banks to do so depends, as in the case of their other credit operations, on their resources position on the one hand, and their assessment of the credit-worthiness of the individual customer on the other or what may be broadly described as finance considerations and risk considerations respectively. The amount of sight bills held at any one time was estimated at about Rs. 38 crores at post-devaluation exchange rates. As a proportion of total credit which currently is around Rs. 2,672.2 crores, sight bills would not account for more than 1.4 per cent. The absence of refinance facilities cannot be considered a major limiting factor, and the working party on the cost of Export Credit, which considered the question at length, did not favour the provision of refinance at concessional rates for this purpose. We endorse this view.

7. In respect of the usance bills, the banks may either negotiate the bills, in which event the exporter obtains funds immediately (subject to discount), or take the bill in for collection. Banks need not face any resource problem in respect of usance bills negotiated. If the bill is denominated in foreign currency, there is no difficulty in its being discounted abroad. Foreign banks operating in India send their bills abroad for such discount while Indian banks seem generally to prefer to hold such bills to maturity (though the exporter has been put in funds earlier). This may be partly due to the absence of the same degree of liquidity pressures on them as in the case of foreign banks and, possibly, to the fact that they may not be able to obtain as fine rates as the foreign banks do in markets abroad. In any event, once a bill in foreign currency is negotiated by a bank the initiative lies with the bank as to whether it wishes to obtain

immediate reimbursement by discount abroad or not. Even if it wishes to hold it until maturity, it can obtain refinance in India under the Export Bills Scheme of the Reserve Bank but at rates determined by the net liquidity ratio of a bank. It is then a question of the cost of refinance and is more appropriately considered when we deal with interest rates in respect of export credit.

8. With regard to bills denominated in rupees, facilities for their discount abroad are obviously not present. The Reserve Bank, therefore, operates the Rupee Export Bill Scheme, in terms of which the banks can obtain refinance against a declaration that they hold, in their portfolios, such rupee export bills. Thus, in respect of usance bills negotiated, there do exist at present facilities for reimbursement subject to conditions and limitations and the problem of finance as such apparently does not arise.

9. In regard to collection bills, (which account for a not inconsiderable portion of the total bills) the exporter obtains reimbursement only after collection. A factor of significance is the growth of such collection bills which is perhaps related to the increase in the number of new and second line exporters. The problem here is more one of the risk factor than the finance. The enhacement of the bankability of any particular export transaction would properly be the function of a credit guarantee organisation. The E.C.G.C. provides a range of credit insurance policies and financial guarantees (including packaging credit cover). Considerable progress has been achieved by the Corporation in the field of 'Export Risk Insurance' but even here hardly 4% of India's exports are covered by E.C.G.C. policies. It is true India is still engaged in exporting mainly traditional commodities and nearly two-thirds of our exports are effected through letters of credit or by sales through associates. Even after accounting for these factors, out of the balance one-third, the Corporation secured no more than Rs. 55 crores worth of export business in 1965. Evidently not enough use is being made of the facilities offered by the E.C.G.C.

10. As regards financial guarantees, although a measure of success has been achieved, the finances made available through the assignment of policies are far from encouraging. The banks are obviously reluctant to grant increased credit against assignment of policies. The reasons for such reluctance should be investigated by the E.C.G.C. and if necessary, its terms and conditions revised.

11. One of the functions of the E.C.G.C. envisaged by the Study Group on Export Finance (Mathrani Committee), and accepted by Government, was that it should provide 'supplementary credit facilities as are essential for promotion and development

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of exports'. This recommendation has been incorporated in the E.C.G.C.'s Memorandum of Association. The time is ripe for the Corporation to invoke this provision and to make available supplementary finance in order to augment the availability of credit to the exporter. To start with E.C.G.C. could immediately deal with drawback of Excise/Custom duties, etc. about which exporters have complained of very great delay in payment. The delay is irksome and locks up considerable sums of the exporter. The problem can be effectively met by the E. C.G.C., if it could pay the exporters against their claims to rebates/drawbacks. This could be done, on the basis of a certificate issued by the Excise/Customs authorities as soon as the exporter produces the shipping documents. The E.C.G.C. can claim reimbursement later from the concerned authorities. If considered necessary, a nominal rate of interest can be charged by E.C.G.C. in this regard from the exporters. While this may be a good starting point for E.C.G.C. for providing supplementary finance, in order to be able to enter into the field in a big way the Corporation must have a bigger capital base than what it has now. The authorised capital of the Corporation is Rs. 5 crores and paid up capital only Rs. 1 crore. It would be necessary to strengthen the capital resources of the Corporation substantially for the purpose.

12. The Study Group on Export Credit set up by the Administrative Reforms Commission has noted some delay between the proposals made for credit insurance and the issue of policies by the E.C.G.C. to the exporters. It is stated that the proposal form seeks to elicit information from the exporter about his past and anticipated shipments. It also calls for a bank report on the exporter before approving the proposals. We suggest that E.C.G.C. should go into this question and consider whether information about the past shipments is necessary, and whether it could not rely on the registration of the Export Promotion Councils and Commodity Boards. We agree with the Study Group of the A. R. C. that an arrangement should be made with the Export Promotion Councils and Commodity Boards, whereby the names of the parties registered with these Organisations are regularly sent to the E.C.G.C.

13. The Corporation's policy covers only the gross invoice value and does not cover the risk due to loss incurred by exporters in raising credit on the assignment of policies. E.C.G.C. should consider covering the loss of interest also, particularly in cases where the policy has been assigned to the bank. Besides, in the case of default by foreign buyers the bank has to wait a while before it receives the payment. This naturally discourages com-

mercial banks to grant credits against the assignment of policies. The delay is due mainly to two factors, *viz.*, that (i) the party has to wait for a stipulated period before filing a claim; (ii) that E.C.G.C. has to obtain clarification and documentary evidence as to the cause of default by the foreign buyer. E.C.G.C. should curtail the period of waiting and apply its mind to discover ways and means for expenditious settlement of claims.

14. As our development programme depends so much upon exports, we are of the view that a measure of calculated risk would have to be taken in the field of export finance. The E.C.G.C. could lend a helping hand by raising its indemnity to the banks under its financial guarantees from the present level of 66-2/3%/ 75% to 80% which would bring it in parity with its Standard Policies. If, however, for any reason an indemnity of 80% is considered on the high side at this stage, the E.C.G.C. should, at least, raise the percentage of its indemnity to 75% unnormly.

15. We would also like to draw attention to the establishment by the Government of India of a credit guarantee scheme for credit to small scale industry, in terms of which the Reserve Bank of India has been designated as the Guarantee Organisation, to operate a credit insurance scheme in respect of the small scale industry. The object of the scheme is to enlarge the supply of institutional credit to small scale industry, by ensuring a degree of protection at a moderate charge to the lending institution against possible losses in their credit to the small industrial sector. The principle could, with advantage, be extended to the field of export finance. The availability of such credit insurance would, we believe, enable the banks to take a more liberal view towards negotiating bills, arising out of exports of new commodities to new markets and by new exporters. It will help to bridge the gap between 'collection' and 'negotiation'.

16. It may be mentioned that some of the bills for collection relate to larger exports who, in any event, are able to obtain finance from the banks, though not under 'bills accounts'. In their case it is not material whether the party's bills have been 'negotiated' or accepted for 'collection', in either case, the exporter is not without funds.

17. Until recently, export prices were out of alignment with domestic prices—the differential being, on an average, perhaps 25 to 30%. This aspect created a special problem in respect of post-shipment finance. The problem arose from the fact that a party preceived the f.o.b. value, less discount, until such time as he cashed his incentives, whereas his requirement of finance, based on the domestic value, was considerably larger.

18. The E.C.G.C's export finance guarantee was designed to meet this special difficulty; but the banks were understandably reluctant to provide interim finance as the incentives, such as import entitlements, cash subsidies and drawbacks against which funds were advanced took inordinately long time to materialise. The incentives did not also have a positive title which the banker could consider as a document of security. If the title was established and the document made negotiable advances could be treated by banks as secured and not clean. Banks were also averse to locking up their funds for long periods, pending encashment of the entitlements.

19. We discussed this at length, and also elicited the views of exporters. With the devaluation of the rupee and the abolition of the special Export Promotion Schemes, the problem is no longer present in this form. In fact, as a result of devaluation the exporter is immediately assured of an enhanced rupee value for his exports. Nevertheless, there would still be some commodities particularly industrial products, whose domestic prices would be above f.o.b. prices, and the banks could avail themselves of the E.C.G.C. guarantees with advantage.

20. E.C.G.C. proposes to introduce yet another guarantee entitled : 'Export Performance Guarantee'. It is in the nature of a counterguarantee to banks which they are themselves called upon to furnish on behalf of exporters for fulfilment of export contracts and realise of goods from customs etc. An informal Advisory Committee appointed by the Reserve Bank has recently gone into the question of regulating guarantee issued by banks. The E.C.G.C. should discuss with the Reserve Bank implications of the scheme in the light of the Advisory Committee's report.

21. Another aspect of the availability of finance is in respect to pre-shipment finance. The problem merges into the more general problem of the provision of finance to domestic trade and industry. There is also the definitional side as to what constitutes the export sector, especially in respect of goods produced for both the home and foreign markets. For our purposes, we could include under the export sector all cases of goods which are being processed or manufactured to meet specific export orders or take as the basis for computing export business the proportion of production in previous years that has been exported. Complaints have been voiced from time to time that with the overall restrictions on credit in operation, financial facilities for these engage in producing for the export market have also been affected.

It is conceded that the export business should have a preferential treatment, and the Governor of the Reserve Bank, in

his several meetings with bankers and in his letters to the banks, has exhorted the banks to insulate the export sector's needs from the operation of the credit squeeze. The most recent example of this is the exemption from the provisions of a directive issued on the 12th April 1967, regarding the imposition of a ceiling on advances against indigenous cotton of preshipment (packing credits) advances in relation to export of cotton, subject to certain terms and conditions, to ensure the bonafide export character of the transaction.

22. The widespread complaint regarding the inadequacy of credit for exporters at the pre-shipment stage might suggest that there has been some curtailment of credit to exporters also. This may have occurred in view of the genuine difficulty for banks to distinguish between the needs of the export sector and the rest of the economy. It is likely that the second line and marginal exporters have suffered more. The present mechanism of credit control seeks to control the volume of bank credit by regulating the right of access of banks to the Reserve Bank. Against this background, and to meet the special needs of the export sector, the Reserve Bank introduced in November 1965 its Packing Credit Refinance Scheme as part of the wider Bill Market Scheme. In terms of the packing credit scheme, the Reserve Bank agreed to make refinance available upto any limit at Bank rate in respect of packing credit finance made available by banks. This was subject to certain safeguards, *viz.* (a) the packing credit facilities should be granted to bonafide exporters; (b) the credit should be granted on the strength of a letter of credit in favour of the local exporter or a firm export order; (c) the banks should ensure that the relevant sale contracts and/or the letters of credit should be lodged with them; (d) the usance promisory note should have a maturity of not more than 60 days ; (e) the bank should certify at the time of lodgment of the usance promissory note that the relative advances have been made to parties concerned for financing the packing credit for the purpose of export and that it holds the necessary doucuments; and (f) the outstandings in these accounts should be extinguished by the negotiation of relative export bills. These conditions were prescribed to ensure that the concessional refinance facilities were limited to the specific purpose for which they were intended. The refinance facilities, while being available upto any limit at Bank rate were, however, included as part of a bank's total borrowings for purposes of computation of its 'net liquidity ratio' on the basis of which the cost of its borrowing from the Reserve Bank for non-priority sectors was determined.

23. In the few months that the scheme was in operation limits upto Rs. 9 crores were sanctioned by the Reserve Bank but the

actual utilisation was negligible. It was represented to us that this was due to the inclusion of such borrowings for purposes of computation of net liquidity ratio. However, during the season of 1965-66, the recourse of the banking system to the Reserve Bank was (apart from the special demands posed by food procurement advances), on the whole, moderate. The conditions in the money market were also relatively easy and the non-utilisation of the refinance facility in respect of packing credits could possibly be attributed to the relative absence of liquid by pressure on the banks as indicated by the generally lower credit-deposit ratios of the banking system in recent months. The packing credit scheme had, indeed, many of the features of the Japanese Export Advance Bills Scheme, which the Chablani Working Group commended as an example to be adopted in India with suitable modifications. The packing credit refinance facilities at Bank rate were open in respect of all exports and not only to bills designated in rupees as in the Rupee Bills Scheme. The scheme was essentially a device to provide more central bank credit at Bank rate, combined with a positive attempt to link such central bank accommodation to the specific sector of exports. It was, in fact, designed to help banks who would otherwise have found it difficult to get any central bank refinance at Bank rate to obtain such accommodation at this rate. As it has turned out, the comparative easy money conditions have resulted in the scheme not having been drawn on in spite of the sanction of sizeable limits. It was also represented to us that banks found some of the procedures of the packing credit refinance scheme to be cumbersome. The representative of the Reserve Bank explained that in its examination of application for limits for accommodation under the scheme, the Reserve Bank adopted a flexible attitude and that there were cases of waivers being granted in respect of some of the conditions if the Bank was satisfied that the absence of fulfilment of the conditions represented a technical breach. While welcoming the adoption of such a flexible attitude, we would request the Reserve Bank to examine whether the procedures could be further simplified so as to bring them in line with the simple procedures that now apply in the case of the Rupee Export Bill Scheme, without detracting from the need to observe the usual safeguards.

24. The packing credit refinance scheme now remains suspended. In the slack season banks generally do not require the facilities of refinance from the Reserve Bank and the absence of this scheme cannot be said to limit the availability of credit. For the busy season, 1966-67, the Reserve Bank has operated a more liberal credit policy marked by an increase in the quantum

of refinance available at Bank rate. In the light of this liberalisation, there has been no necessity to continue the packing credit refinance facilities as the additional volume of refinance made available at the Bank Rate has been substantial and has been continued even into the current slack season (upto 30th June 1967). An essential counterpart to the credit liberalisation was the issuance of a Directive, in October 1966, requiring the banks to divert to priority sectors, not less than 80 per cent of the credit expansion between October 1966 and April 1967. We would suggest that if packing credit were to be reintroduced, refinance should be made available for a period of 90 days rather than 60 days. Also irrespective of the seasonal character of the accomodation from the Reserve Bank of India for general banking purposes, any scheme that may be devised for packing credit refinance should, on the analogy of the Export Bill Scheme, be open all the year round. Representatives of commercial banks would further wish the Reserve Bank of India to re-consider the question of refinance in respect of exports in computing the net liquidity ratio.

25. In the definition of priority sectors, all export bill finance and packing credit for exporters including that made to merchant exporters (manufacturer-exporters were, in any case, covered as industry was part of the priority sector) were covered. This should have ensured adequate credit both at the pre-shipment stage (for production and processing) as well as the postshipment stage not only in respect of Rupee bills but, if the commercial banks so desired, even in respect of foreign currency bills. This would meet, in a measure, bank's problems of finance; but the enhancement of credit-worthiness of individual parties is a matter which would still necessitate the institution of a guarantee system. We recommend that E.C.G.C. should so gear its packing credit and post-shipment guarantees, and scale down its premia rates, as would meet the needs of the situation, especially in regard to the financing of the marginal and second line exporters. We also recommend that the banks should, as far as possible, avail themselves of the E.C.G.C.'s policies and guarantees, to minimise their risks, with a view to increasing the flow of credits to the exporter and to facilitate the growth of his business. This would, however, require revision of some of the terms and conditions of E.C.G.C.'s policies and avoidance of delay in meeting claims as mentioned earlier in the report.

26. Medium-term-exporter finance is a comparatively recent phenomenon in India though it has been in vogue in other parts of the world for some time. The importance of medium-term export finance can hardly be overemphasised in view of the significance attached to the promotion of exports of engineering

and capital goods, in respect of which medium-term credit is particularly apposite. However, in keeping with the general principles governing central banking operations, the Reserve Bank has confined its refinance facilities to short-term credit (upto 180 days), whether it be for domestic finance or for export finance. Nevertheless in respect of the medium-term credit needs of domestic industry, the Reserve Bank took the initiative in setting up the Refinance Corporation for industry in 1958. In pursuance of the recommendation of the Kapur Committee, the Refinance Corporation (since merged with the Industrial Development Bank) draw up a scheme to extend refinance facilities to medium-term export credit (*i.e.*, over six months and upto five years). Under this scheme, which came into effect in January 1963, the refinance facilities are ordinarily extended to export of capital and engineering goods and in respect of such other goods where the exchange control authorities permit the sale proceeds to be received within a specified period, namely, 6 months to 5 years. The scheme also provides for refinance of pre-shipment credit where it is combined with post-shipment credit. The I.D.B.'s facilities are available to manufacturer-exporters as well as merchant-exporters, but are restricted to cases where firm export contracts have been entered into and ordinarily require insurance cover by the E.C.G.C. Refinance is provided upto 80 per cent of the order, but provision exists for the waiver of this requirement in deserving cases. The limitation of refinance to a period of 5 years reduces the advantage of the scheme especially in relation to construction contracts and the like. We would suggest for the consideration of the Industrial Development Bank the possibility of raising the 5 year period to 7 years, wherever necessary.

27. India lacks, at the moment, a specialised Credit Institution to which the exporters could turn for assistance, when they have to transact large business, specially on medium/long term basis, against tough competition, at workable rates of interest. The establishment of some sort of an institution to meet the special credit needs of the exporter appears to be essential for increasing the growth rate of our exports. It will be necessary for such an organisation to work in close co-operation with E.C.G.C. and avail itself of the latter's policies and financial guarantees. The two, between them, can evolve, in course of time, into an 'Export-Import Bank' type of organisation, which could take an integrated view of the problem, assist private as well as public undertakings in the provision of both short term and long term pre-shipment and post-shipment export credit. It could also assist the second line exporters and help create outlets for new commodities to new markets.

COST OF EXPORT CREDIT :

28. We now come to the question of the rates of interest charged by banks on export credit. The Chablani Working Group went into this question at some length and pointed out the need for and desirability of reduction in this behalf. So far as the sight bills are concerned,the interest cost on such bills covers only the transit period, which, as stated earlier, extends to about 10 days; and the transit interest is 1 per cent above the Bank Rate; a rate which the Working Group on cost of Export Credit considered reasonable. We do not, therefore, see any need to recommend any change in this respect. As regards rupee usance bills, the provision of refinance by the Reserve Bank against rupee bills held in banks' portfolios has been made conditional on a ceiling rate of 1½% above the Bank rate which banks may charge by way of discount to their customers. In respect of sterling bills the rate are set by the Foreign Exchange Dealers' Association of India with the approval of the Reserve Bank.

29. It has generally been accepted that export business is a more lucrative source of earnings for a bank than domestic trade; and the banker-members of the Group averred that, in practice, they did offer a rebate to the exporters on the credit and extended to them at the preshipment stage. The rebate now being offered, however, seems to be regarded as inadequate. Indeed, the exporters' representatives, who appeared before us, denied having received the benefit of any such rebate. Apart, however, from the allowances of a small rebate, the banks do not appear to be making any major distinction between the rates charged for domestic credit and export credit at the pre-shipment stage. This rate is now governed by the inter-bank Agreement on 'Advances Rates', the present minimum rate on all advances being 8 per cent. We would request the commercial banks to examine the possibility of offering a substantial rebate on export credit at a pre-shipment stage. It is certainly not suggested that the banks should suffer a reduction in their earning by offering a larger rebate to their customers who bring in exchange business, as the latter business is more lucrative. It is the exporter, who makes it lucrative for the bank. Whatever, that may be what is being suggested is that the banks might consider placing a ceiling rate on their export credit business (by offering a substantial rebate), and recompense themselves by charging a somewhat higher rate on their domestic business. This is in a manner of speaking, an extension of the principle of dual pricing for the export and home markets, to the banking sector's credit operations. Export finance at the pre-shipment stage would, even

after devaluation, account for, at any one time, barely 10 to 15 per cent of total bank credit outstanding. It should be, therefore, possible for the banks to make this adjustment in their domestic credit rates by accommodating even a larger rebate for the export sector while making a small increase in their domestic credit rates. We are aware that the position would vary from bank to bank depending on the proportion which its export business (at the pre-shipment stage also) would bear to its total business. Further, with the existence of prescribed ceiling rate on advances the ability

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30. It is recognised that a low rate charged on medium export credits is a factor of importance. Hence, despite the normal inclination on the banks' part to charge more, a preferential rate has been advocated. Under the Industrial Development Bank's Scheme, the Industrial Development Bank makes available re-finance to banks at a concessional rate of 4½%, on condition that the primary lending bank provides the credit to the exporter at no more than 6 per cent. It is significant that despite the increase (in February, 1965) of the Bank Rate to 6 per cent, the Industrial Development Bank's rates have been unchanged.

31. On the above analysis, we believe that the existing facilities that are available in the country are not being sufficiently utilised; and there is scope for streamlining the procedures and better publicity. Within the frame-work of existing policies, it is possible to ensure an adequate flow of credit, at reasonable cost to the export sector. This will call for a co-operative endeavour of all concerned—the Commercial Banks, the Reserve Bank, and the Government. The enlargement of export credit facilities and the cheapening of cost of export credit no doubt, calls for taking a calculated risk by all concerned. But the risk is worth taking, having regard to the vital importance of export promotion in the national economy.

Sd/-	Sd/-
(A. C. Banerjee)	(C. H. Bhabha)
Sd/-	Sd/-
(P. C. D. Nambiar)	(P. Lakshminarayanan)

Sd/- Sd/-

B. Kaji) (K. P. Sen)

Sd/- Sd/-

Narasimhan) (Dr. S. P. Chablani)

(C. K. Srinivasan)

OST SCRIPT :

After th above report was written, the Governor of the eserve B i- ulate flo s, ngineerin al puts and the eserve B le ultimate borrowers of certain selected such as exports, c. at rates not more than 6—8 per cent. So far as exports are ncerned, the following is the assistance visualised :

(i) With regard to packing credit advance to exporters of engineering and metallurgical products, banks have been asked to charge not more than 6% to the ultimate borrower. The Reserve Bank will be prepared to provide refinance at preferential rate of $4\frac{1}{2}$ per cent subject to certain necessary safeguards.

(ii) With regard to packing credit to exporters of other products, refinance will be available at the bank rate, subject to certain necessary safeguards. Bankers would charge not more than 8% in such cases to the ultimate borrower.

(iii) Post-shipment export bills in all currencies will be refinanceable at the Bank rate. Here also, the rate to the ultimate borrower is not to exceed 8 per cent.

(iv) The Industrial Development Bank of India's export credit scheme is to be extended to 7 years in deserving cases and even beyond (upto 10 years in specially deserving cases). Here also, Banks have been advised not to charge the ultimate borrower more than 6 per cent. Consideration is being given by the Industrial Development Bank of India to the extension of the scheme to cover finance of construction projects executed by Indian firms abroad.

The working Group is on the view that these measure announced by the Reverse Bank would go a long way in making export really a preferontial sector for Bank financing.

Sd/-
(A. C. Banerjee)
August 5, 1967

Sd/-
(C. H. Bhabha)

Sd/-
(P. C. D. Nambiar)

Sd/-
(P. Lakshmina)

Sd/-
(S. L. Kaji)

Sd/-
(K. P. Sen)

Sd/-
(M. Narasimhan)

Sd/-
(Dr. S. P. Chablani)

Sd/-
(C. K. Srinivasan)

GIPN—S7—1 M. of F. T. & S. (N. D.)/69—6-8-69—1000.